AGENDA ITEM 4
AUDIT RESOLUTION STATUS - INTERNAL AUDITS
(PRIOR YEAR REPORTS WITH CURRENT YEAR UPDATES)
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Audit Activity (Report Issue Date)	Responsibility	Description of Risk / Finding	Status/Comments
Follow up Review of Information Security Corrective Actions (05/03/00)	Information Security Office	10. A review of the COMET environment found a number of production files that could not be identified as to source or purpose.	IN PROGRESS. Information Security Office is in the process of developing and implementing appropriate processes and procedures to ensure all world-writeable files have an assigned owner and have all appropriate controls in place.
Review of Information Security (8/19/02)	Information Security Office	4.6 Hiring procedures do not require background checks for information security staff and other sensitive positions.	IN PROGRESS. Information Security Office is investigating the ability to conduct background checks for information security staff and other sensitive positions.
Review of Configuration Management (8/28/03)	Innovation Services	1.1 Information Technology Services should institute a quality review process to ensure divisions' Configuration Management plans meet Information Technology Services' requirements for such plans, and monitor projects for compliance.	IN PROGRESS. Information Technology Services Branch is working on implementing the configuration management plan review process. Target implementation date is October 2008.
Review of Internal Controls SAM 20060 (Financial Integrity and State Managers' Accountability) (12/22/03)	Information Security Office	1.1 Information Security Office should ensure that an information technology risk analysis is performed at least once every two years, and adjust the risk management practices based on the results of this analysis.	IN PROGRESS. Information Security Office is creating a methodology for the information systems risk assessment/analysis program. Target completion date is December 31, 2009.

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Review of Health Care Fund Cash Flow (5/7/04)	Employer and Member Health Services	1.2 Employer and Member Health Services should work with Information Technology Services to enhance built-in system controls that ensure all employer accounts are updated and billed properly and completely.	IN PROGRESS. New processes have been developed and implemented; however, they have not been documented in a procedure. Employer and Member Health Services is preparing a corrective action plan for this item.
		1.4 Employer and Member Health Services should reconcile the billed amounts with the due amounts to ensure that it bills completely to collect all premiums due to health carriers.	IN PROGRESS. New processes have been developed and implemented; however, they have not been documented in a procedure. Employer and Member Health Services is preparing a corrective action plan for this item.
		2.1 Employer and Member Health Services should fully implement its delinquency policy and procedures as soon as possible and work with Information Technology Services to establish system functionality allowing assessment of penalties.	IN PROGRESS. Employer and Member Health Services is in the process of implementing delinquency policy and procedures post EMBARC implementation. Target completion date is June 2009.
		2.2 Employer and Member Health Services should ensure that detailed written procedures are developed for monitoring outstanding receivables and collection.	IN PROGRESS. Employer and Member Health Services will continue to work with Fiscal Services and Information Technology Services Branch to resolve this issue.
Review of Self-Funded Health Plan Administration (5/26/04)	Health Plan Administration	2.5 Health Plan Administration should request Employer and Member Health Services provide more information on the appeals log that can be used to formally analyze the data for trends and timeliness.	IN PROGRESS. Health Plan Administration is currently working with Employer and Member Health Services to establish a system to process appeals. The process includes merging two existing databases. In the meantime, both sets of data are being reviewed until the new system is implemented. Target completion date has been extended to March 31, 2008.
Software Management Review (8/12/04)	Technology Services and Support	1.1 Information Technology Services should ensure that staff complies with CalPERS' Information Security Practices by maintaining adequate documentation for software installed by CalPERS.	IN PROGRESS. Issues with standardizing inventory management will be resolved upon completion of the Enterprise Asset Management (EAM) effort.

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Software Management Review (8/12/04) (continued)	Technology Services and Support	1.2 Information Technology Services should ensure that the software inventory list is complete and current, based on its annual comprehensive inventory of all software installed on computer systems.	IN PROGRESS. Technology Services and Support has reviewed the Software Management Plan (SMP) but it will not be revised at this time due to the Enterprise Asset Management (EAM) project. Once the EAM project has been completed, the SMP will be updated reflecting the new solution. The SMP will be revised within the first quarter following the EAM completion date, estimated as June 30, 2008.
		4.2 Information Technology Services should periodically compare software installed on CalPERS computer systems to software approved by the Information Systems Architecture Committee.	IN PROGRESS. Policy and process will be defined and added to the Information Technology Services Branch Policy and Procedures Manual. This policy will be implemented upon Technology Services and Support Division's management approval.
Data Ownership (12/21/04)	Information Security Office	1.2 Information Security Office should work with Information Technology Services to develop a complete listing of all CalPERS' data assets and follow up with business management to have ownership assigned for all data assets.	IN PROGRESS. Information Security Office will make a comparison between assets listed with the list provided by Information Technology Services. Data assets not claimed by a data owner will be reviewed for assignment of data ownership and classification. No updated target completion date was provided.
Self Funded Health Plans Cash Flow (1/11/05)	Health Plan Administration / Fiscal Services	6.1 Health Plan Administration should work with Fiscal Services to have each self funded health program product separately identified and accounted for within the Health Care Fund, so they can conduct effective cash flow planning, management, monitoring and control.	IN PROGRESS. Management states it is awaiting the impending passage of AB3041 which will enable CalPERS to use reserves from one health plan to reduce premiums in another and thus address this finding. The new target date of December 2008 (previously June 2008) is due to the bill's date for passage.

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Reconciliation of Investment Accounts (3/29/05)	Fiscal Services	4.1 We recommend that Fiscal Services proceed expeditiously towards including all internally and externally managed fixed income and equity portfolios in the Investment Accounting System.	COMPLETE. Fiscal Services has completed external manager connectivity for all those managers for which it is currently feasible. Fiscal Services plans work with the vendor to expand its capabilities to include more types of securities in the future.
System Backup and Archival Process Review (5/23/05)	Technology Services and Support	2.2 Data Center should require staff to perform periodic inventories of media against the inventory lists and investigate the discrepancies. Missing media contents should be identified and reported to the Information Security Office when involving confidential information.	IN PROGRESS. Technology Services and Support will update the Information Technology Services Branch's Policy and Procedures Manual to include periodic inventories of storage media and the process to mitigate discrepancies in the inventory. The updated policies and processes will be implemented upon Technology Services and Support's management approval.
		4.1 Data Center should review the results of the restoration test performed on archived media annually to ensure that the integrity and availability of backup data are maintained.	IN PROGRESS. Technology Services and Support will update the Information Technology Services Branch's Policy and Procedures Manual to include periodic reviews of storage media test results. The updated policies and processes will be implemented upon Technology Services and Support's management approval.
Enterprise-Wide User Access Control (08/05/05)	Innovation Services / Information Security Office	2. Security Administration Services should work with Information Security Office to determine the appropriate data owner for approval of access requests to system and information assets, and modify current user access request processes to ensure that owners of systems and information assets are provided opportunities to authorize access requests.	IN PROGRESS. This finding is related to three critical systems: Retirement Information Benefits System (RIBS), Contribution Reporting System (CRS) and Service Credit Buyback (SCBA). Security Administration agrees that data owner approval should be obtained prior to granting system access. Enterprise Identity and Access Management System (EIAM) will contain the data owner approval prior to granting system access functionality.

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Enterprise-Wide User Access Control (08/05/05) (continued)	Innovation Services	6.1 Security Administration Services should coordinate with the business owners to establish a more systematic approach for effective monitoring of user account activity. Also, persons who set up access on systems should not have the responsibility of monitoring access on the same systems.	IN PROGRESS. Security Administration Services is working to complete its first monthly monitoring cycle of PeopleSoft HRMS by approximately July 2008, and will then document this remaining process in order to fully resolve this issue.
Review of Internal Controls SAM 20060 Financial Integrity and State Manager's Accountability (9/30/05)	Information Security Office Innovation Services	1.1 Information Security Office should complete its development of a comprehensive risk analysis program promptly. 1.2 We reviewed the Enterprise Project Management Framework and were unable to identify explicit guidelines that require systems to undergo the certification and accreditation process. Innovation Services should incorporate into the system development process explicit guidelines for security certification and processing controls considerations.	IN PROGRESS. Information Security Office will develop a comprehensive risk analysis program. Target completion date is December 31, 2009. IN PROGRESS. A Certification and Accreditation process has been developed by Security Administration Services. Enterprise Architecture Board members had the opportunity to review and comment on the process during the month of June 2008. The Chief Enterprise Architect will present the process to the Information Technology Executive Committee in September 2008.
PeopleSoft Review (10/26/05)	Innovation Services	3.3 We found inadequate segregation of security functions. Fiscal Services should request Security Administration Services to monitor users' activity logs.	IN PROGRESS. Security Administration Services is in the initial planning stage for assuming the following security administration responsibilities for PeopleSoft Financials: fulfillment of user access requests and account modifications and deletions, and monitoring user access logs. To ensure adequate segregation of duties, the security administration functions and the monitoring functions will be separated among staff within Security Administration Services.

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Data Center Move (04/26/06)	Technology Services and Support	1. Selected computer equipment did not have CalPERS asset tags. Technology Services and Support should place asset tags on all equipment belonging to CalPERS.	IN PROGRESS. Technology Services and Support has worked with Operations Support Services to replace missing asset tags. An inventory of all equipment is underway. Following the inventory, the division will work to reconcile any missing tags. The division has submitted a corrective action plan with a target completion date of July 1, 2008.
Review of Member Election (07/12/06)	Member Services	1. Member Services management has not defined requirements to process elections within a specified timeframe. We recommend management define a benchmark for timely processing of transactions.	COMPLETE. Member Services has implemented an appropriate benchmark of 90 percent processed within 30 days and a tracking mechanism to ensure timely processing of member elections and transactions.
UNIX Operating System Security Review (7/31/06)	Information Security Office	1.3 CalPERS requires system services be limited to only those required for proper functioning of Unix servers. Information Security Office should periodically examine Unix servers to measure compliance with the security practice.	IN PROGRESS. Information Security Office will monitor Information Technology Services compliance with the Unix Server Security Practice.
	Unix/Linux Services	3. Unix/Linux Services copies the event log files and rotates them to a central server only accessible by administrators with privileged access; however, the log files are stored on rewritable media. Unix/Linux Services should ensure that the log messages cannot be modified by anyone gaining or having privileged access.	IN PROGRESS. CalPERS' enterprise monitoring tool is not capable of capturing all root commands and storing them in a central database that cannot be modified by the administrator (root) account; therefore a new solution tool is required. Currently, Unix/Linux Services unit is awaiting the results of the Enterprise Identity and Access Management project, as well as the central logging solution that the Enterprise Architecture Services group within Innovation and Implementation Services is currently working on, before purchasing a separate tool to avoid a duplication of effort.

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UNIX Operating System Security Review (7/31/06) *(continued)*	Information Security Office	8.1 Current shared ID security practice requires periodic examinations to ensure compliance with shared user IDs practice, but does not define who is responsible. Information Security should clarify the monitoring roles and responsibilities.	IN PROGRESS. The Information Security Office will clarify the definitions and requirements associated with the monitoring function to ensure compliance with the shared identification practice.
		8.4 Unix system administrators do not implement and do not have sole control over the establishment of trust relationships. The Information Security Office should assess the security risks with the established trust relationships, consider needs for additional security measures, and modify security requirements if necessary.	IN PROGRESS. The Information Security Office will implement a departmental security assessment methodology that will be used to assess the appropriateness of current security profile.
	Security Administration	8.6 The current access request process does not ensure that the owners approve all requests for access. Security Administration should modify the process to ensure that all requests are routed to the appropriate persons for approval.	IN PROGRESS. Security Administration Services has a working process for obtaining the required approvals from Data Owners and is currently documenting a process narrative, table, and flowchart.
Review of Retroactive Health Benefit Terminations (4/16/07)	Employer and Member Health Services	1.1 Employer and Member Health Services should update the State Active Employers Health Benefits Procedure Manual to contain information regarding regulations to limit reimbursements.	COMPLETE. Employer Services updates the State Active Employers Health Benefits Procedure Manual concerning the processing of active state retroactive transactions via a Circular Letter on the CalPERS website.
		1.2 Employer and Member Health Services should update the COMET Transaction Guide to contain information regarding retroactive transactions, error correction, and rebuilds.	COMPLETE. The COMET transaction guide has been replaced by the General Reference Manual. Management believes this manual provides adequate guidance to the staff and it is not cost effective to create a new manual between now and PSR implementation in Fall 2009.

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Review of Retroactive Health Benefit Terminations (4/16/07) (*continued*)	Employer and Member Health Services	1.3 Employer and Member Health Services should complete and implement the Retroactive Mandatory Deletions and Cancellations for Retirees Procedures.	COMPLETE. Employer and Member Health Services has completed and implemented the Retroactive Mandatory Deletions and Cancellations for Retirees procedures.
		2.1 Employer and Member Health Services should develop an active review and monitoring program to ensure that retroactive terminations, and any resulting reimbursements, are conducted accurately and in accordance with program regulations. Such a program should include identification and analysis of causes, correction, and implementation of corrective action as needed and appropriate. The monitoring program should include all segments of the population.	IN PROGRESS. Employer and Member Health Services has not submitted information to provide evidence that the corrective action has been implemented nor a status to indicate progress and timeframe for completion of this finding.
		2.2 Employer and Member Health Services should work with the Office of Health Policy and Program Support to ensure COMET correctly limits reimbursements in accordance with program regulations.	IN PROGRESS. Employer and Member Health Services has not submitted information to provide evidence that the corrective action has been implemented nor a status to indicate progress and timeframe for completion of this finding.
		2.3 Employer and Member Health Services should provide additional training to staff charged with processing retroactive terminations and associated reimbursements.	COMPLETE. Employer and Member Health Services has updated its COMET retroactive /rebuild procedure and provided additional training to staff charged with processing retroactive terminations.
		2.4 Employer and Member Health Services should complete and implement the Retroactive Mandatory Deletions and Cancellations for Retirees Procedures.	COMPLETE. Employer and Member Health Services has completed and implemented the Retroactive Mandatory Deletions and Cancellations for Retirees procedures.

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Review of Retroactive Health Benefit Terminations (4/16/07) (*continued*)	Employer and Member Health Services	2.5 Pending reimbursements being held due to the Medicare overpayment component should be promptly cleared.	IN PROGRESS. Employer and Member Health Services has not submitted information to provide evidence that the corrective action has been implemented nor a status to indicate progress and timeframe for completion of this finding.
		2.6 Employer and Member Health Services should provide additional training to staff charged with processing retroactive terminations and associated reimbursements	COMPLETE. Employer and Member Health Services updated its Retroactive Procedures Impacting Retirees procedural manual and provided additional training to staff charged with processing retroactive terminations and associated reimbursements.
Review of Refunds of Member Contributions (5/31/07)	Benefit Services Division	1.1 Benefit Services Division should ensure a separation of duties exists over the 1099R process. Benefit Services Division should also document accountability of who resolved error reports and approved cancellations, and continue to secure signature stamps.	COMPLETE. Benefit Services has implemented adequate separation of duties related to the 1099R process with the training of additional staff. Also, there is evidence of review for error and cancellation reports generated during process of 1099R forms. Lastly, signature stamps continue to be secured to prevent unauthorized use.
		1.2 Benefit Services Division should obtain validation that the contractor's number of Form 1099R's mailed to individuals on CalPERS behalf reconciles to the number on Benefit Service Division's internal reports.	COMPLETE. Benefit Services has implemented a process to reconcile the amount of 1099R mailings it generates against the amount of mailings received and processed by an outside vendor to ensure completeness.
		2.1 Benefit Services Division should reconsider parameters used or modify the definition of how refunds will be measured and reported to the Board.	COMPLETE. Benefit Services has re-evaluated the parameters used to measure refunds through discussion with the Benefits and Program Administration Committee (BPAC), and with the committee's approval, has maintained the established performance measures previously approved by the Board.